

SPECIAL NOTICE

December 6, 2002

For further information contact:
Telephone Information Center
1-800-647-7706 or (360) 486-2345

Alternate Formats (360) 486-2342
Teletype 1-800-451-7985

TAX ON EQUIPMENT USED TO REDUCE AGRICULTURAL BURNING

RCW 82.08.840 and RCW 82.12.840 provide a sales and use tax exemption for farmers who purchase structures, machinery, and equipment that are used to decrease air emissions from field burning. As a result of the Department of Revenue's (DOR) regular ongoing enforcement efforts, it is apparent that there is some confusion regarding what types of machinery and equipment are eligible for these exemptions.

To qualify for the exemptions, the machinery and equipment must be used more than half (i.e., more than 50 percent) of the time:

- For gathering, densifying, processing, handling, storing, transporting, or incorporating straw or straw-based products that results in a reduction in field burning of cereal grains and field and turf grass grown for seed; or
- To decrease air emissions resulting from field burning of cereal grains and field and turf grass grown for seed.

Therefore, machinery and equipment used to perform traditional farming activities such as soil preparation before planting, crop cultivation, and crop harvesting generally do not qualify for the exemption. Such equipment qualifies only when it can be shown that the machinery and equipment is used more than half the time to decrease air emissions from field burning or to eliminate the need to burn the crop residue.

Examples:

Spray equipment qualifies if, as an alternative to burning, the fields in which it is used must be sprayed five times instead of twice. In this case, the equipment is used more than half the time on a qualifying activity.

Balers used on straw **and** hay qualify for exemption only if they are used more than half of the time to bale straw and such use results in a reduction in field burning. The baling of hay is not a qualifying activity.

Transportation equipment generally does not qualify for the exemption. However, a **flatbed trailer** used more than half the time to haul wheat straw from the field to a location at which the straw is manufactured into a product for sale qualifies for the exemption. A **tractor** used one third of the time to pull the flatbed

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trailer while hauling the wheat straw and two thirds of the time to pull equipment used to plant wheat does not qualify for the exemption.

A **combine** used to harvest wheat or other cereal grains does not qualify for the exemption. The combine performs multiple functions when harvesting crops. It cuts the stalks, separates the kernels from the chaff, and then unloads the kernels via an auger. The combine also chops the residual chaff before discharging it onto the field. While the need for field burning may decrease because the crop is harvested or the smaller residue more readily decomposes, the purchase or use of the combine does not qualify for exemption. A combine used to harvest crops is not machinery and equipment used more than half of the time to decrease air emissions resulting from field burning.

Record Keeping Requirements for Sellers

The seller must take an exemption certificate in good faith and retain it for five years. A sample of the *Farmers' Retail Sales Tax Exemption Certificate* is attached to this notice. It is also available on the DOR's web site at <http://dor.wa.gov>.

Sellers should also be aware that there is no comparable B&O tax exemption. Consequently, income from sales of eligible equipment and structures continues to be subject to B&O tax under the retailing classification.

The agricultural burning tax exemptions became effective March 22, 2000 and expire on January 1, 2006.

For more information about the sales and use tax exemptions refer to RCW 82.08.840, RCW 82.12.840, or contact the Department of Revenue's Telephone Information Center at (360) 486-2345 or 1-800-647-7706.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users please call 1-800-451-7985.



FARMERS' RETAIL SALES TAX EXEMPTION CERTIFICATE

Not to be used for purchases of feed, seed, seedlings, fertilizer, or spray materials (for these purchases, use a Resale Certificate)

Sellers who accept properly completed copies of this certificate are relieved of the responsibility to collect sales tax on the types of sales indicated. Certificates must be obtained at the time of the sale. Sellers must retain a copy of this certificate to document the exempt sale.

Seller _____ Date _____

Street Address _____ City _____ State _____ Zip Code _____

I, the undersigned buyer, certify that I am making an exempt purchase for the following reason:

CHECK APPLICABLE BOXES

1. ☐ Nonresident Farmer

Place of residence: _____ Proof of residence: _____

Equipment for use in a farming activity (*include brand, model, and address of use*) _____

2. ☐ Livestock for Breeding Purposes

Animal type: _____ Registered Breed Association: _____

Animal name: _____

3. ☐ Animal Pharmaceuticals

Animal pharmaceuticals (*include description*): _____

4. ☐ Chicken Farming (Eff. 9/20/01)

a. ☐ Propane or natural gas used to heat structures used to house chickens.

b. ☐ Bedding materials used to accumulate and facilitate the removal of chicken manure.

5. ☐ Reducing Agricultural Burning (*This exemption expires January 1, 2006*)

Items purchased: _____

☐ The buyer certifies that the items listed above will be used **more than half (50%) of the time** for:

- Gathering, densifying, processing, handling, storing, transporting, or incorporating straw or straw-based products that results in a reduction in field burning of cereal grains and field and turf grass grown for seed; **or**
- Decreasing air emissions resulting from field burning of cereal grains and field and turf grass grown for seed.

The retail sales tax exemption is available for these items or services:

- Machinery and equipment,
- Structures,
- Installing, constructing, repairing, cleaning, decorating, altering, or improving eligible structures or eligible machinery and equipment,
- Tangible personal property that becomes an ingredient or component of eligible structures or eligible machinery and equipment.

6. ☐ Agricultural Employee Housing

Items purchased: _____

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6. Agricultural Employee Housing (continued)

The retail sales tax exemption is available for these items:

- Constructing, repairing, decorating, or improving of new or existing buildings or structures used as agricultural employee housing,
- Tangible personal property that becomes an ingredient or component of the buildings or other structures during the course of the construction, repairing, decorating, or improving.

Is the agricultural employee housing being built on agricultural land? ☐ Yes ☐ No

If yes, please provide parcel number: _____

➞ I, the undersigned buyer, understand that by completing and signing this certificate I am certifying that I qualify for the tax-exempt purchase(s) indicated above. I understand that I am required to keep records to verify eligibility for the exemption(s) and that I will be required to pay sales or use tax on purchases that do not qualify for the exemption(s) in addition to any applicable interest and penalties. This certificate is given with full knowledge of, and subject to, the legally prescribed penalties for fraud and tax evasion per RCW 82.32.090.

Name of Buyer: _____ UBI No.: _____

Authorized Signature: _____ Date: _____

Title: _____

Seller must retain a copy of this certificate.

Do not send to Department of Revenue.

INSTRUCTIONS

Buyers must ensure entitlement to the exemption before using this Certificate. For information regarding exemptions, contact Washington State Department of Revenue Taxpayer Information Center at (800) 647-7706 or visit the Department's web site at <http://dor.wa.gov>.

Line 1 applies to machinery, implements, repair parts and labor purchased in this state by a nonresident for use in conducting a farming activity outside the state. The equipment must be transported outside the state immediately upon purchase. **Seller must examine and record buyer's proof of residency.** See WAC 458-20-239 for acceptable proof of residency. Reference: RCW 82.08.0268 and WAC 458-20-239.

Line 2 applies to the purchase of livestock for breeding purposes. "Livestock" is defined in RCW 16.36.005. The animal must be registered in a nationally recognized breed association. Reference: RCW 82.08.0259 and WAC 458-20-122.

Line 3 applies to the purchase of animal pharmaceuticals by farmers for the purposes of administering to an animal raised for sale by the farmer. Animal pharmaceuticals must be approved by the United States Food and Drug Administration or the United States Department of Agriculture. Reference: Chapter 17, Laws of 2001, 2nd Special Session.

Line 4a applies to the purchase of propane or natural gas used to heat structures used to house chickens. The chickens must be raised by a farmer and sold as agricultural products. Reference: Chapter 25, Laws of 2001, 2nd Special Session.

Line 4b applies to the purchase of bedding materials used to accumulate and facilitate the removal of chicken manure. The chickens must be raised by a farmer and sold as agricultural products. "Bedding materials" means wood shavings, straw, sawdust, shredded paper and other similar materials. Reference: Chapter 25, Laws of 2001, 2nd Special Session.

Line 5 applies to the purchase of machinery and equipment and structures that are used more than half (50%) of the time to reduce field burning of cereal grains and field and turf grass grown for seed, or to decrease emissions from such burning. Reference: RCW 82.08.840.

Line 6 applies to the purchase by agricultural employers of materials and labor for use in constructing, repairing, decorating, or improving new or existing buildings or other structures that will be used to provide housing to the employer's agricultural employees. Reference: RCW 82.08.02745 and WAC 458-20-262.

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